

## **BUREAU OF ELECTRONIC AND APPLIANCE REPAIR**

### **AMENDED INITIAL STATEMENT OF REASONS**

Hearing Dates: April 27, 2004 in Diamond Bar, CA and April 29, 2004 in Sacramento, CA.

Subject Matter of Proposed Regulations: Define 'home health care products' and incorporate additional financial backing alternative.

1. Section Affected: Section 2755

Specific Purpose of Adoption: Define the term "home health products" as set forth in the 2004 amendments to Business and Professions Code section 9855.

Factual Basis/Rational: The term "home health products" was not defined in Business and Professions Code section 9855 when this term was added as a product which may be covered by service contract by AB 1553. If this term is not defined, service contract sellers and consumers will be confused as what products would constitute a health care product, which may be covered by a service contract. In this proposed regulation, the Bureau set forth the purpose of a home health care product. Furthermore, the Bureau reviewed products, which likely would be considered to be a home health care product and would be covered by a service contract, and listed those as examples. This proposed regulation would then clarify the term "home health care" product.

Underlying Data: None

Business Impact: This regulation will not have a significant adverse economic impact on businesses. No evidence has surfaced that prior regulation over service contracts (on electronic equipment and major appliances) has had significant adverse impact to small business. There is no evidence that this regulation is unduly burdensome. Industry representatives have supported the current regulation.

Specific Technologies or Equipment: This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives: No reasonable alternative to the regulations would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed adoption of this regulation.

The proposed regulations provide clear guidance to both the industry and consumers. If this regulation is not adopted, neither consumers nor industry would be clear as to what constitutes a “home health care product” covered by a service contract.

2. Section Affected: Section 2756

Specific Purpose of Amendment: Add alternative means of showing financial solvency to provide consistency between statute and regulation.

Factual Basis/Rational: The additional method to demonstrate financial liquidity allows the filing of the most recent audited financial statement reflecting a net worth of \$100,000,000. The proposed regulation is necessary to provide consistency between statute and regulation.

Underlying Data: None

Business Impact: This regulation will not have a significant adverse economic impact on businesses. This provides businesses with an additional alternative to meeting the fiscal solvency requirements. Instead of placing more restrictions, it allows businesses another method to disclose financial backing for contracts sold to California consumers.

Specific Technologies or Equipment: This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives: No reasonable alternative to the regulations would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed amendment to this regulation.

The only other alternative would be to not amend the regulation, which would cause an inconsistency between the new law and current regulation, thereby impeding application and understanding of the requirements of evidence of fiscal solvency.